



Agenda Item Number: 2006-9-6B

BERNALILLO COUNTY BOARD OF COUNTY COMMISSIONERS

Date: September 26, 2006

Department: Human Resources Department **Staff Contact:** Renetta Torres, HR Director
Chuck Griffith, Benefits Coordinator
Dan Mayfield, Deputy County
Manager, Budget and Finance

TITLE: Employee Benefit Program – Group Short and Long Term Disability Insurance, Group Basic Term Life Insurance and Group Supplemental Term Life Insurance– Award of Contract

ACTION: Motion to:

1. Award RFP # 29-06-BB to CIGNA Group Insurance for Employee Group Disability Insurance.
2. Authorize the County Manager to approve the contract for Employee Group Disability Insurance between Bernalillo County and CIGNA Group Insurance.
3. Award RFP # 30-06-BB to CIGNA Group Insurance for Employee Group Basic Term Life Insurance.
4. Authorize the County Manager to approve the contract for Employee Basic Group Term Life Insurance between Bernalillo County and CIGNA Group Insurance.
5. Award RFP # 30-06-BB to AIG/American General for Employee Supplemental Group Term Life Insurance.
6. Authorize the County Manager to approve the contract for Employee Supplemental Group Term Life Insurance.

SUMMARY:

The formal request for proposals RFP #29-06-BB was published on May 15, 2006 with a closing date of June 26, 2006. Two proposals were received and opened on behalf of this formal request. The successful vendor, CIGNA Group Insurance, has been recommended after a thorough evaluation in accordance with established purchasing procedures. Approval of this contract will insure continuous disability insurance coverage for enrolled employees.

Employee Group Disability Insurance provides partial income replacement for employee illness or injury in non-occupational situations. There are two (2) parts to group disability coverage. Short Term Disability (STD) provides a minimal income replacement for disability (including pregnancy) for own occupation disability for up to six months from date of disability after a thirty (30) day

exclusion period. Two Short Term Disability options will be available. Option 1 pays up to 50% of the employee's weekly covered earnings to a maximum of \$250 per week. Option 2 pays up to 50% of the employee's weekly covered earnings to a maximum of \$500 per week. Long Term Disability (LTD) provides for a 50% income replacement for total disability up to age 65. The LTD definition of disability changes as the disability duration increases to encourage employee return to work. Coverage limitations include specific outside income provisions, limitations for drug, alcohol and mental health conditions. Exclusions from coverage include war, and self-inflicted injury or illness. The County has offered disability insurance coverage to employees for a number of years and over 80% of all eligible employees are currently enrolled for Employee Group Disability Insurance.

The formal request for proposals RFP #30-06-BB was published on May 15, 2006 with a closing date of June 26, 2006. Four (4) proposals were received and opened on behalf of this formal request. The successful vendor, CIGNA Group Insurance, has been recommended after a thorough evaluation in accordance with established purchasing procedures. Approval of this contract will insure continuous basic term life insurance coverage for enrolled employees.

Employee Basic Group Term Life Insurance provides a death benefit to the employee's beneficiary as well as an Accidental Death and Dismemberment benefit. Term life insurance provides a death benefit only with no cash value or other "equity." It is designed primarily to provide funds the employee's beneficiary in the event of the employee's death. Basic Life provides a death benefit of \$35,000 for a premium that is the same for all enrolled employees regardless of age.

The County has offered term life insurance coverage to employees for a number of years and over 84% of all eligible employees are currently enrolled for the Basic Term Life Insurance program. Bernalillo County pays 52 % of the premium for Basic Term Life Insurance, while the employee pays 48%.

The formal request for proposals RFP #30-06-BB was published on May 15, 2006 with a closing date of June 26, 2006. Four (4) proposals were received and opened on behalf of this formal request. The successful vendor, AIG/American General, has been recommended after a thorough evaluation in accordance with established purchasing procedures. Approval of this contract will insure continuous supplemental term life insurance coverage for enrolled employees.

Employee Supplemental Group Term Life Insurance provides a death benefit to the employee's beneficiary as well as an Accidental Death and Dismemberment benefit. Term life insurance provides a death benefit only with no cash value or other "equity." It is designed primarily to provide funds the employee's beneficiary in the event of the employee's death. Supplemental Life provides a death benefit of up to \$350,000 for a premium that varies depending on age, amount of coverage and if the employee is a smoker or non-smoker.

The County has offered Supplemental Term Life Insurance coverage to employees for a number of years and over 50% of all eligible employees are currently enrolled for the program. Bernalillo County's portion of the premium for Supplemental Term Life Insurance is currently 30%.

ATTACHMENTS:

1. Contracts - Employee Group Disability Insurance, Employee Group Basic Term Life Insurance and Employee Group Supplemental Term Life Insurance.
2. Premium Rate Schedules for each plan.

FISCAL IMPACT

Employee Group Disability Insurance

| Proposed Opt 1 STD/LTD (Max of \$250 per week) 16.7% Increase | | | | |
|---|--|--|--------------|--------------|
| | | | | |
| | | | | County Share |
| Annual Cost (900 employees) | | | \$70,434.00 | \$36,625.68 |
| | | | | |
| Proposed Opt 2 STD/LTD (Max of \$500 per week) | | | | |
| | | | | |
| | | | | County Share |
| Annual Cost (500 employees) | | | \$59,540.00 | \$30,960.80 |
| | | | | |
| | | | \$129,974.00 | \$67,586.48 |

Employee Group Basic Term Life Insurance

| Proposed Plan (\$35,000 Benefit; BW Premium = \$2.84) | | | | |
|---|--|--|--------------|--------------|
| | | | | |
| | | | | County Share |
| Annual Cost (1500 employees) | | | \$110,760.00 | \$57,595.20 |

Employee Group Supplemental Term Life Insurance

| Current Plan Design | | | | |
|---|--|--|--------------|--------------|
| | | | | |
| | | | | County Share |
| Annual Cost (950 employees) | | | \$364,000.00 | \$109,200.00 |
| | | | | |
| | | | | |
| Proposed Plan Design (Same as current) Approximately 10% rate reduction | | | | |
| | | | | |
| | | | | |
| Annual Cost (950 employees) | | | \$327,600.00 | \$98,280.00 |

STAFF ANALYSIS SUMMARY

COUNTY MANAGER

The HR Department should be commended for successfully negotiating these employee benefit programs. Bernalillo County continues to provide quality benefits at an affordable price for our employees. I recommend Board approval. TL 9/20/2006

DEPUTY COUNTY MANAGER FOR FINANCE

See summary. Dan Mayfield, Deputy County Manager for Finance 9/20/2006

LEGAL

The proposed action complies with AR15-2005. The contracts will be reviewed prior to the County Manager's execution of the documents. JSL 9/20/06

FINANCE

| | |
|------------------------|---|
| Budget | Sufficient funds are available in the FY07 and FY08 Budget to pay for benefits. Teresa Byrd, Budget Director 09/15/06 |
| Purchasing | Procurement procedures were met on both RFP's. Billie Baca 09/15/06 |
| Contracts | Contract control numbers will be issued once contracts have been executed. Billie Baca 09/15/06 |
| Risk Management | The Contractor shall provide a certificate of insurance naming the County as an additional insured with the like kinds and amounts of insurance referenced in Section C of the RFP. David A. Baca, Risk Management Administrator. 9/20/06 |

DISABILITY INSURANCE COST ESTIMATE

A. Bi-Weekly (pay period) Total Premium to be Remitted to Disability Insurance Company per member (enrollee)

| | |
|---|--------|
| Short-term Disability Insurance Premium | \$1.30 |
| Long-term Disability Insurance Premium | \$1.71 |
| Total Disability Insurance Premium | \$3.01 |
| County Pays (52%) | \$1.56 |
| Employee Pays (48%) | \$1.45 |

B. Premium Estimate (based on 1400 employee participation)

| | |
|--|--------------|
| Opt.1. Bi-weekly Total Premium (900 employees) | \$2,709.00 |
| County Pays (900 Employees) | \$1,408.68 |
| Employee Pays (900 Employees) | \$1,300.32 |
| Opt.2. Bi-weekly Total Premium (500 employees) | \$2,290.00 |
| County Pays (500 employees) | \$1,190.80 |
| Employee Pays (500 employees) | \$1,099.20 |
| Total Annual Premium (Both Options) | \$129,974.00 |
| County Share | \$67,586.48 |

Note: Participation level varies by employment of those eligible for benefits.
Participation for the Pay Period Ended September 15, 2006 was 1369.

PLAN HIGHLIGHTS

- A. Similar to existing plan with short term disability benefits (STD) up to six (6) months and long term disability benefits (LTD) up to age 65.
- B. Option 1: STD minimum benefit of \$100 for first six weeks and \$150 for remainder of STD period.
50% of your weekly covered earnings to a maximum of \$250 per week.
- C. Option 2: STD 50% of your weekly covered earnings to a maximum of \$500 per week.
- D. Benefit reduced by outside income provisions to encourage return to work.
- E. LTD benefits subject to total disability definitions.
- F. LTD benefits to age 65 at 50% of salary at time of disability up to \$10,000 salary a month.

BASIC GROUP TERM LIFE INSURANCE COST ESTIMATE

C. Bi-Weekly (pay period) Total Premium to be Remitted to Basic Group Term Life Insurance Company per member (enrollee)

| | |
|---|--------|
| Basic Group Term Life Insurance Premium | \$2.84 |
| County Pays (52%) | \$1.48 |
| Employee Pays (48%) | \$1.36 |

D. Premium Estimate (based on 1500 employee participation)

| | |
|--|------------|
| Basic Life Total Premium (1500 Employees Participation) | \$4,260.00 |
| County Pays | \$2,215.20 |
| Employee Pays | \$2,044.80 |

E. Term Life Insurance Premium Estimate (Annual)

| | |
|--|--------------|
| Basic Life Total Premium (1500 Employees Participation) | \$110,760.00 |
| County Pays | \$57,595.20 |
| Employee Pays | \$53,164.80 |

Note: Participation level varies by employment of those eligible for benefits.
Participation for the Pay Period Ended September 15, 2006 was 1430.

PLAN HIGHLIGHTS

1. Same as current employees group term life plan, with full AD&D coverage.
2. Reduced premiums compared to previous contract with previous company.
3. Basic Life is not age rated. All participants pay the same premium for the \$35,000 coverage.

COST ESTIMATE (Based on Current Volume)

Current Plan Design

| | | |
|-----------------------------|--------------|------------------------------|
| Annual Cost (950 employees) | \$364,000.00 | County Share \$109,200.00 |
|-----------------------------|--------------|------------------------------|

Proposed Plan Design (Same as current) Approximately 10% rate reduction

| | | |
|-----------------------------|--------------|-------------|
| Annual Cost (950 employees) | \$327,600.00 | \$98,280.00 |
|-----------------------------|--------------|-------------|